

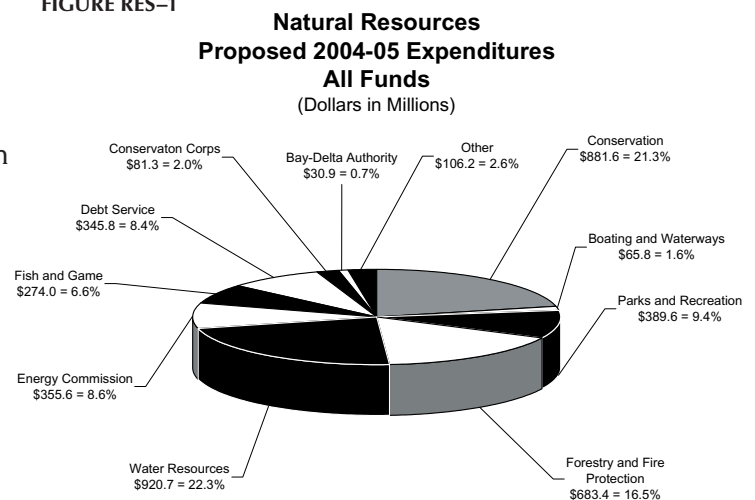
NATURAL RESOURCES

The Resources Agency consists of 24 departments, boards, commissions, and conservancies responsible for administering programs that conserve, preserve, restore, and enhance the rich and diverse natural and cultural resources of California. These organizations include the Departments of Fish and Game, Forestry and Fire Protection, Parks and Recreation, Water Resources, and Conservation. The Governor's Budget proposes \$4.1 billion (\$837.8 million General Fund) and 14,712.1 personnel years for state operations, local assistance capital outlay, and debt service activities.

The Governor's Budget is consistent with the Governor's "Action Plan for California's Environment."

- The Budget proposes to increase State Park fees. This increase will allow for continued operation of all facilities and continue to bolster the local economies in which the parks reside.
- The Budget continues to fund activities within the Department of Fish and Game, Department of Conservation, and Department of Forestry and Fire Protection to enforce existing environmental protection laws.
- The Administration remains committed to the State's responsibility to "Keep Tahoe Blue."
- California's participation in the CALFED Bay-Delta Program will continue to exceed the federal commitment.
- The Budget proposes to reduce the California Conservation Corps by \$12.8 million, which will result in a 14 percent reduction in the number of corps members served. The ongoing program will continue to provide vital resource protection services and train a full time equivalent of 1,200 corps members.

FIGURE RES-1





Resources Bond Funding

Over the past two years, voters have approved two bond measures, Proposition 50 (\$3.44 billion) and Proposition 40 (\$2.6 billion), to address California's water supply needs and protect the state's parks and wildlife habitats. The Administration will be evaluating various alternatives to reorganize and streamline existing resource conservation efforts. Therefore, the Governor's Budget proposes to defer the appropriation of bond funds in 2004-05 until the spring. However, the Administration remains committed to the implementation of the Lake Tahoe Environmental Improvement Program, CALFED, and improvements to State Park facilities, which will depend on bond funding for the 2004-05 fiscal year.

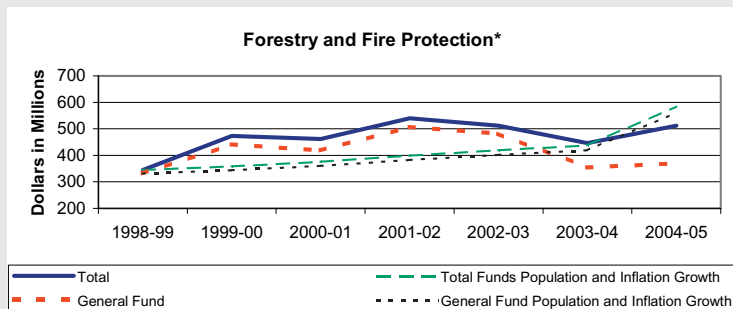
Department of Forestry and Fire Protection

Functions of the Department of Forestry and Fire Protection

The Department of Forestry and Fire Protection (CDF) provides fire protection and suppression on 31 million acres of non-federal wildlands, responds to emergencies, and protects and enhances forests, range lands, and watersheds. CDF also negotiates more than 140 cooperative agreements annually with counties, cities, and special districts to provide fully reimbursed fire protection services to local governments. The Budget includes \$634.6 million (\$366.2 million General Fund) and 5,185 personnel years.

Key Audit Findings — Department of Forestry and Fire Protection

- Fire suppression costs account for \$335 million of General Fund expenditures and can fluctuate significantly from year to year based on the frequency and severity of fire outbreaks. For example, fire suppression costs increased by almost \$85 million between 1998-99 and 1999-00, and approximately \$52 million between 2000-01 and 2001-02.
- Other General Fund cost increases over the study period are related to collective bargaining agreements for increased wages and retirement benefits, and upgrades to the communications dispatch system and air tanker fleet.



Program Enhancements and Other Budget Adjustments

The 2003 fire season was one of the worst on record. The fires which occurred in southern California at the end of October and the beginning of November were some of the most destructive in terms of acreage burned and structures destroyed, and fire suppression costs alone are expected to total \$65 million, \$40 million of which will be reimbursed by the federal government.

By way of illustration:

- The Cedar fire ranks first in terms of the number of acres burned—273,246 acres.
- Over 746,000 acres were burned in six counties.
- Five of the 14 fires ran in the top 20 largest California wildland fires in terms of structures destroyed.

General Fund expenditures were reduced by \$50 million in the 2003 Budget Act to reflect new fees for fire suppression costs within State Responsibility Areas (SRA). General Fund expenditures were also reduced by \$10 million in the 2003 Budget Act in anticipation of a new fee for timber harvest plan (THP) reviews to partially cover the cost of these reviews. The THP fees, however, were never enacted, which created a shortfall of \$10 million. As part of the Governor's Budget, the Administration will propose legislation to make some necessary changes to the SRA fee language and to enact the THP fees to cover the budget shortfall.

Department of Fish and Game

Functions of the Department of Fish and Game

The Department of Fish and Game manages California's diverse fish, wildlife, and plant resources, and habitats for their ecological values and enjoyment by the public. The Department also manages oil spill prevention programs and enforces environmental laws such as the California Endangered Species Act.

Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$271.2 million (\$37.3 million General Fund) and 2,040 personnel years. Significant adjustments include a \$1.8 million reduction for stream clearance and restoration activities, an increase of \$2.5 million for Salton Sea Quantification Settlement Agreement legislation implementation, and an increase of \$1.2 million for Marine Invasive Species Act implementation.

Department of Parks and Recreation

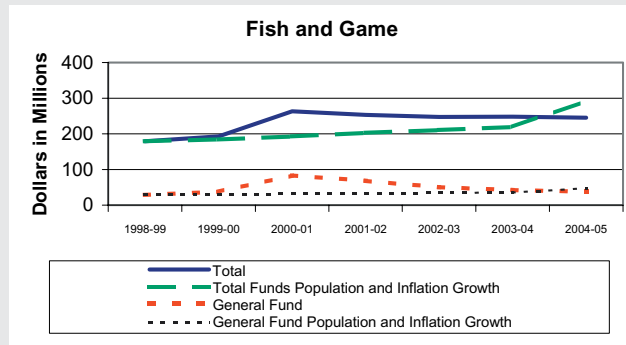
Functions of the Department of Parks and Recreation

The Department of Parks and Recreation is responsible for preserving the State's extraordinary biological diversity, natural and cultural resources, and high-quality outdoor recreational opportunities. The State Park System consists of 277 units including parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites.



Key Audit Findings— Department of Fish and Game

- Changes to General Fund include a \$5.2 million increase to implement the Marine Life Management Act of 1998, a \$3.8 million increase in California Environmental Quality Act document reviews, a \$3 million increase in enforcement and a \$1 million increase for endangered species recovery.
- General Fund peaked in 2000-01 with one-time funding provided for deferred maintenance and equipment (\$9.43 million) and to comply with the Americans with Disabilities Act (\$2.6 million). An additional 10 warden positions (\$1.17 million) and an increase in environmental document reviews (\$7 million) were funded but were subsequently eliminated through budget reductions.
- Non-General Fund expenditures grew primarily because of a \$17 million increase in federal funds for salmon restoration, a \$16 million increase in federal wildlife conservation and education grants, a \$7.7 million increase in bond funds, Proposition 13 (approved in March of 2000) for salmon and steelhead trout habitat restoration, and a \$2.3 million increase in federal funds for groundfish fisheries disaster relief. An additional 20 warden positions and a \$3.1 million increase in federal funds were funded in 2000-01.



Restructure of Park Fees

To prevent the reduction of hours and to maintain adequate public access expected of the State Park system, fees will increase by \$18 million, effective July 1, 2004. The increase in State Park fees results in a reduction in General Fund appropriations (\$15 million) and increased revenue for deferred maintenance (\$2 million) and park operations (\$1 million).

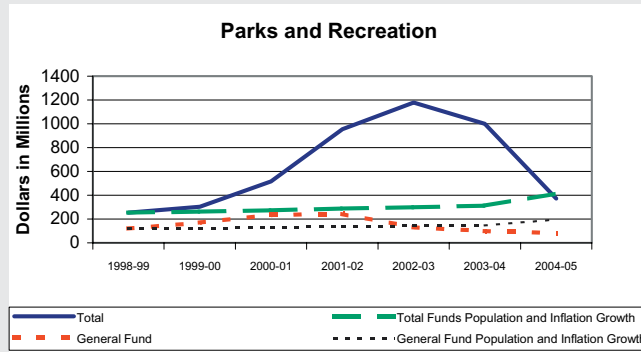
Maintaining current operations allows State Parks to continue serving millions of people who depend upon State Parks as their vacation destination. In addition, the

State Park system is a major part of local economies. More than 85 million people visit State Parks yearly, spending more than \$2.6 billion annually in local communities.

The new fees will keep the system open and healthy, while offering a sliding scale for affordability. Camping rates will range (sliding scale) from \$11.00 to \$25.00, and day use rate will range from \$4 to \$14 depending on location and level of demand.

Key Audit Findings— Department of Parks and Recreation

- General Fund expenditures decreased from \$116 million to \$90 million between 1998-99 and 2003-04 as a result of the statewide General Fund revenue shortfall. These reductions were partially offset by restoring the majority of park fees that were reduced in 2000-01, generating \$20 million in additional revenue. Reorganizing park operations resulted in a reduction of 90 positions, mainly in administration and other headquarters functions.
- Consideration should be given to promoting greater use of concessionaires within parks to provide value-added services and essential resource management support currently not possible due to budget constraints.



Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$389.8 million (\$82.3 million General Fund) and 2,994.2 personnel years for state operations (\$290.1 million), local assistance (\$41.1 million), and capital outlay (\$58.4 million).

Container Recycling Program and preserving farmland and open space.

Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$881.6 million (\$3.8 million General Fund) and 582.3 personnel years to carry out the Department's programs in 2004-05. The Governor's Budget proposes to shift funding for the administration of the Williamson Act and the California Farmland Conservancy Program from the General Fund to the Soil Conservation Fund and Proposition 12 bond funds. This fund shift will generate \$551,000 in General Fund savings. The Budget also proposes \$1.23 million Strong Motion Instrumentation and Seismic Hazards Mapping Fund for earthquake mapping and monitoring activities to ensure that buildings,

Department of Conservation

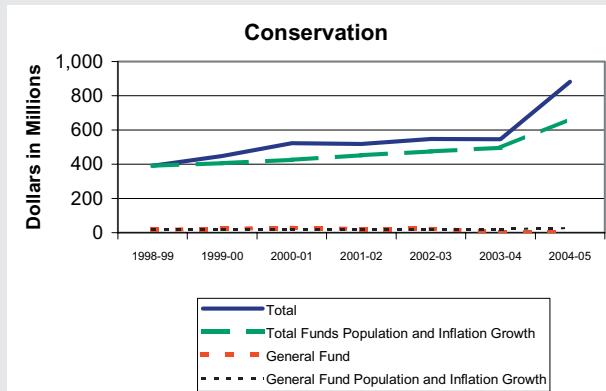
Functions of the Department of Conservation

The Department of Conservation administers a number of programs related to the state's geological resources, such as regulating oil, gas, and geothermal wells, studying and mapping earthquakes, and regulating surface mining activities. Conservation is also responsible for administering the Beverage



Key Audit Findings— Conservation

- Total expenditure increases are almost entirely attributable to the expansion of the Beverage Container Recycling Program. Legislation enacted in 1999 expanded the number of beverage containers included in the program, such as water bottles and noncarbonated sport drinks.



bridges, and homes are not significantly damaged from earthquakes.

Department of Water Resources

Functions of the Department of Water Resources

The Department of Water Resources (DWR) protects, conserves, and develops the state's water supply. DWR forecasts future water needs, evaluates and inventories existing water supplies, and explores conservation and storage options to meet the needs of the state's growing population. DWR is also responsible for maintaining and repairing levees in the Central Valley and responding to flood emergency situations.

Although the state's investor-owned utilities have re-assumed the responsibility for purchasing electric power for their customers, DWR will expend \$5.4 billion from the Electric Power Fund for the purchase of electric power through long-term contracts. These costs are borne by ratepayers.

Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$405.9 million (\$45.8 million General Fund) and 2,537 personnel years to carry out the Department's programs in 2004-05. To meet the State's commitment to implement the Colorado River Quantification Settlement Agreement, which is a comprehensive agreement among various local water agencies to reduce the state's use of Colorado River water, the Governor's Budget proposes \$16.1 million for the lining of the All-American Canal. The Governor's Budget also proposes to redirect \$2.6 million General Fund from existing flood control projects for sediment removal at the Fremont Weir, which will reduce the risk of floods in the Sacramento area. The Governor's Budget includes a modest \$1.6 million General Fund reduction in various water management activities.

Key Audit Findings— Water Resources

- Total fund expenditures increased mainly because of bond funds authorized by Proposition 13 and Proposition 50.
- General Fund expenditures increased significantly in 2000-01 primarily because of a one-time augmentation of \$135 million for the CALFED Bay-Delta Program.
- The General Fund increase in 2002-03 is attributable to a one-time augmentation of \$116 million for the Flood Control Subventions Program, which provides funding to local agencies for flood control projects. The 2003-04 Mid-Year Revision proposes to revert \$105 million of these funds.

